

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Charleston	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date July 30, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

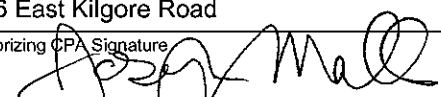
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

Township of Charleston
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

Township Board
Township of Charleston, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Charleston, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Charleston, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 19 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Charleston, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 30, 2007

BASIC FINANCIAL STATEMENTS

Township of Charleston
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,364,160	\$ 512	\$ 1,364,672
Receivables, net	74,890	819	75,709
Prepaid expenses	<u>2,849</u>	<u>-</u>	<u>2,849</u>
Total current assets	<u>1,441,899</u>	<u>1,331</u>	<u>1,443,230</u>
Noncurrent assets:			
Receivables, net	138,333	-	138,333
Capital assets not being depreciated	11,700	-	11,700
Capital assets, net of accumulated depreciation	<u>357,939</u>	<u>1,032,195</u>	<u>1,390,134</u>
Total noncurrent assets	<u>507,972</u>	<u>1,032,195</u>	<u>1,540,167</u>
Total assets	<u>1,949,871</u>	<u>1,033,526</u>	<u>2,983,397</u>
LIABILITIES			
Current liabilities - accounts payable	<u>5,470</u>	<u>1,279</u>	<u>6,749</u>
NET ASSETS			
Invested in capital assets	369,639	1,032,195	1,401,834
Restricted for:			
Public safety	137,405	-	137,405
Public works	768,244	-	768,244
Unrestricted	<u>669,113</u>	<u>52</u>	<u>669,165</u>
Total net assets	<u>\$ 1,944,401</u>	<u>\$ 1,032,247</u>	<u>\$ 2,976,648</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 2,870	\$ -	\$ -	\$ -
General government	183,168	44,610	-	6,972
Public safety	95,848	97,266	-	-
Public works	65,038	18,224	1,183	-
Community and economic development	9,597	1,225	-	-
Culture and recreation	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	375,521	161,325	1,183	6,972
Business-type activities:				
Water	<u>63,058</u>	<u>41,674</u>	<u>7,500</u>	<u>-</u>
	<u>\$ 438,579</u>	<u>\$ 202,999</u>	<u>\$ 8,683</u>	<u>\$ 6,972</u>

General revenues
Property taxes
Franchise fees
State grants
Investment income
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (2,870)		\$ (2,870)
(131,586)		(131,586)
1,418		1,418
(45,631)		(45,631)
(8,372)		(8,372)
<u>(19,000)</u>		<u>(19,000)</u>
 (206,041)		 (206,041)
	\$ <u>(13,884)</u>	<u>(13,884)</u>
<u>(206,041)</u>	<u>(13,884)</u>	<u>(219,925)</u>
 98,318	-	 98,318
2,682	-	2,682
121,159	-	121,159
61,339	-	61,339
<u>3,388</u>	<u>-</u>	<u>3,388</u>
 286,886	 -	 286,886
 80,845	 (13,884)	 66,961
<u>1,863,556</u>	<u>1,046,131</u>	<u>2,909,687</u>
 <u>\$ 1,944,401</u>	 <u>\$ 1,032,247</u>	 <u>\$ 2,976,648</u>

See notes to the financial statements

Township of Charleston
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 428,041	\$ 135,621	\$ 208,651	\$ 591,847	\$ 1,364,160
Receivables, net	<u>31,392</u>	<u>3,658</u>	<u>1,776</u>	<u>176,397</u>	<u>213,223</u>
Total assets	<u>\$ 459,433</u>	<u>\$ 139,279</u>	<u>\$ 210,427</u>	<u>\$ 768,244</u>	<u>\$ 1,577,383</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,596	\$ 1,874	\$ -	\$ -	\$ 5,470
Deferred revenue	<u>1,265</u>	<u>-</u>	<u>1,776</u>	<u>175,097</u>	<u>178,138</u>
Total liabilities	4,861	1,874	1,776	175,097	183,608
Fund balances - unreserved, undesignated	<u>454,572</u>	<u>137,405</u>	<u>208,651</u>	<u>593,147</u>	<u>1,393,775</u>
Total liabilities and fund balances	<u>\$ 459,433</u>	<u>\$ 139,279</u>	<u>\$ 210,427</u>	<u>\$ 768,244</u>	<u>\$ 1,577,383</u>
Total fund balances - total governmental funds					\$ 1,393,775
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					369,639
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.					2,849
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					<u>178,138</u>
Net assets of <i>governmental activities</i>					<u>\$ 1,944,401</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2007

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 136,688	\$ -	\$ -	\$ -	\$ 136,688
Licenses and permits	23,086	-	-	-	23,086
State grants	122,342	-	-	-	122,342
Charges for services	8,665	-	-	-	8,665
Interest	27,215	2,244	9,901	40,714	80,074
Other	<u>7,287</u>	<u>76,862</u>	<u>-</u>	<u>25,767</u>	<u>109,916</u>
Total revenues	<u>325,283</u>	<u>79,106</u>	<u>9,901</u>	<u>66,481</u>	<u>480,771</u>
EXPENDITURES					
Legislative	2,870	-	-	-	2,870
General government	175,797	-	-	-	175,797
Public safety	21,108	65,590	-	-	86,698
Public works	38,032	-	-	-	38,032
Community and economic development	9,597	-	-	-	9,597
Recreation and culture	19,000	-	-	-	19,000
Capital outlay	<u>42,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,652</u>
Total expenditures	<u>309,056</u>	<u>65,590</u>	<u>-</u>	<u>-</u>	<u>374,646</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>16,227</u>	<u>13,516</u>	<u>9,901</u>	<u>66,481</u>	<u>106,125</u>
OTHER FINANCING USES					
Transfers out	<u>(21,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,000)</u>
NET CHANGES IN FUND BALANCES	<u>(4,773)</u>	<u>13,516</u>	<u>9,901</u>	<u>66,481</u>	<u>85,125</u>
FUND BALANCES - BEGINNING	<u>459,345</u>	<u>123,889</u>	<u>198,750</u>	<u>526,666</u>	<u>1,308,650</u>
FUND BALANCES - ENDING	<u>\$ 454,572</u>	<u>\$ 137,405</u>	<u>\$ 208,651</u>	<u>\$ 593,147</u>	<u>\$ 1,393,775</u>
Net change in fund balances - total governmental funds					\$ 85,125
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:					
Capital assets:					
Assets acquired					49,624
Provision for depreciation					(22,516)
Changes in other assets/liabilities:					
Net increase in prepaid expenses					(11)
Net decrease in deferred revenue					<u>(31,377)</u>
Change in net assets of <i>governmental activities</i>					<u>\$ 80,845</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2007

	<u>Water</u>
ASSETS	
Current assets:	
Cash	\$ 512
Receivables, net	<u>819</u>
Total current assets	1,331
Noncurrent assets - capital assets, net of accumulated depreciation	<u>1,032,195</u>
Total assets	<u>1,033,526</u>
LIABILITIES	
Current liabilities - accounts payable	<u>1,279</u>
NET ASSETS	
Invested in capital assets	1,032,195
Unrestricted	<u>52</u>
Total net assets	<u><u>\$ 1,032,247</u></u>

See notes to the financial statements

Township of Charleston
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund*
Year ended March 31, 2007

	<u>Water</u>
OPERATING REVENUES	
State grants	\$ 7,500
Charges for services	<u>20,674</u>
Total operating revenues	<u>28,174</u>
OPERATING EXPENSES	
Maintenance and supplies	44,692
Utilities	3,690
Depreciation	<u>14,676</u>
Total operating expenses	<u>63,058</u>
OPERATING LOSS	(34,884)
TRANSFERS	
Transfer from General Fund	<u>21,000</u>
CHANGE IN NET ASSETS	(13,884)
NET ASSETS - BEGINNING	<u>1,046,131</u>
NET ASSETS - ENDING	<u><u>\$ 1,032,247</u></u>

See notes to the financial statements

Township of Charleston
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2007

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 29,475
Payments to vendors and suppliers	<u>(49,994)</u>
Net cash used in operating activities	(20,519)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	<u>21,000</u>
NET DECREASE IN CASH	481
CASH - BEGINNING	<u>31</u>
CASH - ENDING	<u><u>\$ 512</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (34,884)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,676
Decrease in receivables	1,301
Decrease in payables	<u>(1,612)</u>
Net cash used in operating activities	<u><u>\$ (20,519)</u></u>

See notes to the financial statements

Township of Charleston
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Charleston, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Township Improvement Revolving Fund accounts for Township improvements. Revenues are primarily derived from transfers and interest.

The Sewer Fund accounts for the repairs, maintenance, and extension of the Township's sewer lines. Revenues are primarily derived from special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the activities of the Township's water distribution and treatment system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

The Township includes shared fire vehicle costs in the intangible assets of its governmental activities. These costs represent the Township's portion of fire vehicles that are owned by the Galesburg-Charleston Joint Fire Board.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	5 years
Water system	75 years
Intangible assets	15 years

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$ 15,000	\$ 21,108	\$ 6,108
	Capital outlay	35,000	42,652	7,652
	Other financing uses	10,000	21,000	11,000

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Deposits	\$ 1,363,245	\$ 512	\$ 1,363,757
Cash on hand	915	-	915
	<u>\$ 1,364,160</u>	<u>\$ 512</u>	<u>\$ 1,364,672</u>

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$1,316,538 of the Township's bank balances of \$1,619,223 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:						
General	\$ 2,432	\$ 4,885	\$ -	\$ 4,183	\$ 19,892	\$ 31,392
Public safety	-	-	3,658	-	-	3,658
Public improvement	-	-	-	1,776	-	1,776
Sewer	-	-	161,550	14,847	-	176,397
Totals	<u>\$ 2,432</u>	<u>\$ 4,885</u>	<u>\$ 165,208</u>	<u>\$ 20,806</u>	<u>\$ 19,892</u>	<u>\$ 213,223</u>
Business-type activities:						
Water	<u>\$ 819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,333</u>

All receivables are considered fully collectible.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 11,700	\$ -	\$ -	\$ 11,700
Capital assets being depreciated:				
Buildings and improvements	332,002	42,652	-	374,654
Equipment	38,604	6,972	-	45,576
Intangible assets	137,250	-	-	137,250
Subtotal	507,856	49,624	-	557,480
Less accumulated depreciation for:				
Buildings and improvements	(113,250)	(8,498)	-	(121,748)
Equipment	(28,808)	(4,868)	-	(33,676)
Intangible assets	(34,967)	(9,150)	-	(44,117)
Subtotal	(177,025)	(22,516)	-	(199,541)
Total capital assets being depreciated, net	330,831	27,108	-	357,939
Governmental activities capital assets, net	\$ 342,531	\$ 27,108	\$ -	\$ 369,639
Business-type activities:				
Capital assets being depreciated - water system	\$ 1,100,683	\$ -	\$ -	\$ 1,100,683
Less accumulated depreciation for - water system	(53,812)	(14,676)	-	(68,488)
Business-type activities capital assets, net	\$ 1,046,871	\$ (14,676)	\$ -	\$ 1,032,195

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government:	
General government	\$ 7,360
Public safety	9,150
Public works	6,006
Total governmental activities	\$ 22,516

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2007, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfer out</u>
Water	\$ 21,000	General	\$ 21,000

The transfer to the Water Fund from the General Fund is to subsidize operating costs of the Water Fund.

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2007, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Interest Unavailable</u>	<u>Special assessments Unavailable</u>	<u>Totals</u>
Governmental activities:			
General	\$ 1,265	\$ -	\$ 1,265
Public Improvement	1,776	-	1,776
Sewer	14,847	160,250	175,097
Totals	\$ 17,888	\$ 160,250	\$ 178,138

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - JOINT VENTURE:

The Galesburg-Charleston Fire Department (the Department) is a joint venture of the Township of Charleston and the City of Galesburg. The administrative board of the Department consists of five members: one at-large member and two members from each of the participating units. The budget of the Department must be approved by each of the participating units. The costs of operations and capital expenditures of the Department are supported by contributions from the participating units in equal shares. During the year ended March 31, 2007, the Township contributed \$56,874 to the Department for operations. Complete audited financial statements for the Department can be obtained from the Treasurer of the Department.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan, with a minimum annual contribution of \$150 per employee. The Township's contributions are fully vested immediately. The Township made the required contributions of \$8,925 for the year ended March 31, 2007.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 20,404
Expenses	<u>21,108</u>
Deficiency of revenues over expenses	<u>\$ (704)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Charleston
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 140,206	\$ 140,206	\$ 136,688	\$ (3,518)
Licenses and permits	19,750	19,750	23,086	3,336
State grants	126,700	126,700	122,342	(4,358)
Charges for services	8,900	8,900	8,665	(235)
Interest	6,000	6,000	27,215	21,215
Other	6,750	6,750	7,287	537
Total revenues	<u>308,306</u>	<u>308,306</u>	<u>325,283</u>	<u>16,977</u>
EXPENDITURES				
Legislative	<u>3,200</u>	<u>3,200</u>	<u>2,870</u>	<u>330</u>
General government:				
Supervisor	20,800	20,800	20,100	700
Election	3,700	4,084	3,217	867
Assessor	11,500	11,500	10,896	604
Clerk	18,400	18,400	17,400	1,000
Board of review	1,000	1,000	682	318
Treasurer	28,900	22,900	21,499	1,401
Hall and grounds	15,375	18,311	13,955	4,356
Cemetery	10,300	10,320	7,257	3,063
Other	88,500	94,510	80,791	13,719
Total general government	<u>198,475</u>	<u>201,825</u>	<u>175,797</u>	<u>26,028</u>
Public safety - building inspections	<u>15,000</u>	<u>15,000</u>	<u>21,108</u>	<u>(6,108)</u>
Public works:				
Highways and streets	25,000	21,500	21,483	17
Street lights	3,850	3,850	4,905	(1,055)
Refuse collection	4,500	12,150	11,644	506
Total public works	<u>33,350</u>	<u>37,500</u>	<u>38,032</u>	<u>(532)</u>
Community and economic development - planning and zoning	<u>11,500</u>	<u>11,500</u>	<u>9,597</u>	<u>1,903</u>

Township of Charleston

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - library	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Capital outlay	35,000	35,000	42,652	(7,652)
Total expenditures	315,525	323,025	309,056	13,969
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,219)</u>	<u>(14,719)</u>	<u>16,227</u>	<u>30,946</u>
OTHER FINANCING USES				
Transfer out - Water Fund	-	(10,000)	(21,000)	(11,000)
NET CHANGES IN FUND BALANCES	(7,219)	(24,719)	(4,773)	19,946
FUND BALANCES - BEGINNING	<u>459,345</u>	<u>459,345</u>	<u>459,345</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 452,126</u>	<u>\$ 434,626</u>	<u>\$ 454,572</u>	<u>\$ 19,946</u>

Township of Charleston**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 2,244	\$ 244
Other	<u>79,915</u>	<u>79,915</u>	<u>76,862</u>	<u>(3,053)</u>
Total revenues	81,915	81,915	79,106	(2,809)
EXPENDITURES				
Public safety	<u>81,915</u>	<u>81,915</u>	<u>65,590</u>	<u>16,325</u>
NET CHANGES IN FUND BALANCES	-	-	13,516	13,516
FUND BALANCES - BEGINNING	<u>123,889</u>	<u>123,889</u>	<u>123,889</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 123,889</u>	<u>\$ 123,889</u>	<u>\$ 137,405</u>	<u>\$ 13,516</u>

Township of Charleston**BUDGETARY COMPARISON SCHEDULE - Township Improvement Revolving Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 9,901	\$ 9,901
NET CHANGES IN FUND BALANCES	-	-	9,901	9,901
FUND BALANCES - BEGINNING	<u>198,750</u>	<u>198,750</u>	<u>198,750</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 198,750</u>	<u>\$ 198,750</u>	<u>\$ 208,651</u>	<u>\$ 9,901</u>

Township of Charleston
BUDGETARY COMPARISON SCHEDULE - Sewer Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 16,730	\$ 16,730	\$ 40,714	\$ 23,984
Other	<u>36,000</u>	<u>36,000</u>	<u>25,767</u>	<u>(10,233)</u>
NET CHANGES IN FUND BALANCES	52,730	52,730	66,481	13,751
FUND BALANCES - BEGINNING	<u>526,666</u>	<u>526,666</u>	<u>526,666</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 579,396</u>	<u>\$ 579,396</u>	<u>\$ 593,147</u>	<u>\$ 13,751</u>

**Members of the Township Board
Township of Charleston, Michigan**

In planning and performing our audit of the financial statements of the Township of Charleston as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Charleston's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Charleston and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 30, 2007